

Strategy

Our strategic goal is to cement our current leading federal retail positions by growing our market share significantly and profitably.

Our strategic ambition is to become No. 1 for consumers, employees and investors.

Magnit recorded significant sales growth in 2022, driven by continued sales uplift from mature stores, increased selling space and inflation, resulting in a sales density improvement of 11.4% YoY. It is clear that our initiatives to enhance consumer perception and experience are working, as demonstrated by positive NPS and Consumer Satisfaction Index trends and net consumer gains. Our sustainability strategy is now embedded throughout our organisation as we continue to add more data metrics to monitor our performance and improvements. In 2022, we have continued to develop internal

processes to extract greater efficiency and our investment in people has intensified to ensure we have the right competencies and have an agile and innovative company.



Our strategy is driven by the desire to create value for our three major stakeholders – our consumers, our employees, and our investors.



Consumers

Growing LFL, best in NPS/CSI¹ and more customer gains than losses



Employees

Constant improvement of eNPS², engagement and productivity



Investors

Creating value for shareholders thanks to attractive returns

Our goals are supported by four pillars



Consumer first

- ▶ Consumer-centric decision-making with enhanced loyalty and improved personalisation powered by AI / Big Data
- ▶ Enhanced CVP and clustering to better serve consumer needs
- ▶ Improved brand positioning (including care, safety, ESG, and value for money)
- ▶ E2E consumer offering going beyond traditional offline space
- ▶ Digital / ecosystem



Employer of choice

- ▶ Flexible and proactive approach to personnel attraction
- ▶ Intensified investment in people to ensure best competences and business continuity
- ▶ One team approach as the base for effective cross-functional cooperation
- ▶ Talent management and social lifts
- ▶ Agility and innovative thinking



Most efficient and promising ways to market

- ▶ Smart expansion in core formats to profitably grow the market share, including M&As
- ▶ Actively and structurally consider new sales lines, new niches/markets
- ▶ OMNI including online
- ▶ Agile sourcing including partnerships with suppliers, crystallised offering in own production / private labels to enhance offering and secure positioning
- ▶ Vertical integration (agro/FMCG)



Modern and efficient platform

- ▶ Defined and straightforward functional strategies
- ▶ Smooth and efficient processes
- ▶ Flexible organisational structure, clear responsibility split combined with entrepreneurial culture
- ▶ Flexible, reliable and scalable cloud-based IT solutions and data platform
- ▶ Product-centric technology organisation

Sustainable development

Sustainability is firmly embedded in all areas of our strategy and it is key to the continued growth of the Company. It is an integral part of what we do and acting in the interests of all our stakeholders will produce better returns over the long term for our shareholders. Our Sustainability

Strategy sets out our ambitions and strategic principles and formalises our approach. We are committed to reducing our environmental impact and having a positive impact on the wider society, as well as ensuring our

employees are satisfied and upholding the highest standards of corporate governance.

¹ Net Promoter Score / Consumer Satisfaction Index.
² Employee engagement and satisfaction survey.

Strategy (continued)

Strategic priorities

Priorities	Our strategic priorities for 2022	Our strategic priorities for 2025
Enhance CVP	Keep improving CVP as a key driver for material improvements of sales density and profitability supported by processes and ways of working enhancement	<ul style="list-style-type: none"> ▶ Efficient CVP initiatives to enhance consumer perception and experience ▶ Clear potential to increase sales densities by way of speeding up value accretive redesigns
Extract efficiency	Continuous focus on extracting efficiency to get higher profitability and cash generation	Thought-out strategic plan to capture tremendous business improvement
Pursue smart expansion	Focus on smart expansion implying high profitability targets for new openings	Smart organic expansion in line with projected sales channel split in the market
Strengthen our overall positioning	Due to overall market evolution and high consolidation potential we expect more opportunities to become available in the M&A field where we could selectively (based on strategic and value accretive approach) strengthen our overall positioning	Proactive and opportunistic return-driven consolidation play (M&A)
Extend consumer offering	Extend consumer offering complementary to our core business (including partnerships, e-commerce, new geographies and specialised formats in important adjacent consumer missions, etc.) to better satisfy consumer needs	<ul style="list-style-type: none"> ▶ Build a platform for an omni-channel consumer experience ▶ Continue to proactively consider adjacent value accretive niches ▶ Development of format offering (including by adapting new convenience store formats – Magnit Convenience Plus and My Price, and launching the hard discounter format) ▶ Adherence to sustaining high return requirements for new projects

In 2022, Magnit adjusted processes that underpin its strategy to better reflect the new market environment.

Functional area	New challenges	Magnit's response
Commerce (product range availability) 	<ul style="list-style-type: none"> ▶ Discontinuation of operations by some of the market players caused a drop in supply ▶ The complexity of the production and supply chain for many foods created a variety of unforeseen risks that may result in shortages of raw materials 	<ul style="list-style-type: none"> ▶ Private label strategy update: launch of new brands, including imitation brands, to replace those that left the Russian market ▶ Direct import projects ▶ Vertical integration into the FMCG sector
Logistics 	<ul style="list-style-type: none"> ▶ International logistics: disruption of logistics chains ▶ Disrupted financial processes: changes to the way financial transactions are processed ▶ Internal logistics: higher external and internal risks 	<ul style="list-style-type: none"> ▶ Development of new logistics routes ▶ Development of new financial processes ▶ Transformation in logistics and initiatives to mitigate risks
HR 	<ul style="list-style-type: none"> ▶ Reduction in the number of working age people as a result of a natural decrease in population ▶ Uberisation of the labour market as a factor that attracts potential employees (especially younger cohorts) ▶ Shortages in the labour market for rank-and-file employees as a result of growth in agriculture, e-commerce, delivery services, and reduced migrant population ▶ Higher living costs and competition for rank-and-file personnel and skilled professionals as drivers of increased salary requirements 	<ul style="list-style-type: none"> ▶ Development of flexible approaches to workplace management and working hours arrangements ▶ Development of new recruitment channels and increase in recruitment speed and effectiveness ▶ Broader target audiences to hire ▶ Magnit employer brand enhancement ▶ Focus on improved employee experience as a driver of perceived employer attractiveness, extended benefits package, and dedicated loyalty programme for employees to help them cut down on their basic shopping expenses